

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: EALR, ETRD, UR, RO

SUBJECT: SOVIET-ROMANIAN TRADE

1. SUMMARY. ACCORDING TO SOVIET EMBASSY OFFICIAL, SOVIET-ROMANIAN TRADE WILL GROW AT A FASTER RATE THAN 45 PERCENT TO 55 PERCENT INCREASE ENVISAGED IN THE BILATERAL FIVE-YEAR TRADE PROTOCOL, IN LINE WITH ROMANIAN OBJECTIVES TO INCREASE ITS TRADE WITH SOVIALIST COUNTRIES. WHILE THIS ACCELERATED GROWTH APPEARS TO BE TANGIBLE RESULT OF IMPROVED SOVIET-ROMANIAN RELATIONS, USSR'S SHARE IN TOTAL ROMANIAN TRADE WILL PROBABLY DECLINE IN 1977 AND REMAIN AT ABOUT 17-17.5 PERCENT LEVEL THROUGH 1980. END SUMMARY.

2. DURING PRE-EARTHQUAKE MEETING WITH EMBASSY OFFICER, DEPUTY DIRECTOR VOLKOV OF SOVIET COMMERCIAL MISSION BUCHAREST FURNISHED DATA ON ROMANIAN-SOVIET TRADE IN 1976, BILATERAL TRADE TARGETS IN 1977.

3. SOVIET-ROMANIAN BILATERAL TRADE. TRADE TURNOVER IN 1976 WAS 1.609 BILLION RUBLES. SOVIET EXPORTS AMOUNTED

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TO 760 MILLION RUBLES, 203 MILLION OF WHICH CONSISTED OF EQUIPMENT AND MACHINERY. IMPORTS FROM ROMANIAN WERE 849 MILLION, 178 MILLION OF WHICH WAS EQUIPMENT AND MACHINERY. IN THIS CATEGORY, THIS REPRESENTS A 15 PERCENT INCREASE OVER 1975 (BOTH WAYS). ALSO IN THIS CATEGORY, 1976 PROTOCOL HAD PLANNED EXPORTS AT 200 MILLION AND IMPORTS AT 185 MILLION.

4. TARGETS FOR 1977. TURNOVER FOR 1977, AS ORIGINALLY PLANNED IN THE CURRENT FIVE YEAR PLAN (FYP), WAS TO BE 1.630 BILLION RUBLES (EXPORTS AT 760 MILLION AND IMPORTS AT 870 MILLION). THESE FIGURES WERE CHANGED AS RESULT OF BREZHNEV VISIT. SHORTLY AFTER HIS DEPARTURE, NEW FIGURES WERE WORKED OUT AND INCLUDED IN BILATERAL PROTOCOL AS FOLLOWS: TURNOVER TRADE OF 1.800 BILLION RUBLES (EXPORTS AT 880 MILLION AND IMPORTS AT 920 MILLION). IN MACHINE AND EQUIPMENT CATEGORY: EXPORTS AT 250 MILLION AND IMPORTS AT 275 MILLION. USSR HAS CONTRACTED TO DELIVER 500 THOUSAND TONS OF OIL (HEAVY FUEL TYPE) FOR HARD CURRENCY TO ROMANIA IN 1977. LAST SOVIET DELIVERY OF OIL HERE TOOK PLACE EITHER IN DECEMBER 1975 OR JANUARY 1976 (VOLKOV WASN'T SURE). ROMANIA WOULD LIKE GREATER AMOUNTS OF RAW MATERIAL FROM SOVIET UNION BUT DELIVERIES ARE IMPOSSIBLE BECAUSE THE SOVIET RAILWAY SYSTEM COULD NOT HANDLE ADDED QUANTITIES.

5. TOTAL TRADE FOR CURRENT FYP IS TARGETED AROUND 9 BILLION RUBLES. IT WAS VOLKOV'S PERSONAL OPINION, HOWEVER, THAT THIS FIGURE WOULD BE OVERFULFILLED BY ABOUT 30 PERCENT. (COMMENT: THE 9 BILLION FIGURE IS ALREADY 55 PERCENT INCREASE OVER ACTUAL 1971-75 TRADE.) THIRTEEN TU-154'S ARE SCHEDULED TO BE DELIVERED TO ROMANIA DURING THE CURRENT FYP AT RATE OF TWO OR THREE A YEAR. TWO WERE DELIVERED LAST YEAR. THESE PLANES ARE COMPLETELY MANUFACTURED IN SOVIET UNION.

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6. ROMANIAN INTERNATIONAL TRADE. ACCORDING TO "ROMANIAN COLLEAGUES", VOLKOV SAID, ROMANIA'S 1976 TOTAL TRADE WAS AS FOLLOWS: 44.8 PERCENT WITH SOCIALIST COUNTRIES, BULK (37.7 PERCENT) BEING WITH COMECON COUNTRIES AND OTHER 7.1 PERCENT WITH YUGOSLAVIA, ALBANIA, ETC.; 18 PERCENT WITH LDCS; AND 37.2 PERCENT WITH DEVELOPED COUNTRIES. ASKED WHAT KIND OF CHANGES HE THOUGHT WOULD TAKE PLACE IN THESE PROPORTIONS OVER NEXT FEW YEARS, VOLKOV QUOTED HIS "ROMANIAN COLLEAGUES" AS SAYING THAT ROMANIA'S GOAL IS TO HAVE AROUND 55 PERCENT, IN ANY CASE OVER HALF, OF ITS TRADE WITH THE SOCIALIST COUNTRIES, 25 PERCENT WITH LDC'S, AND REST WITH DEVELOPED COUNTRIES (WE NOTE THIS BREAKDOWN DIFFERS SUBSTANTIALLY FROM FIGURES GIVEN BY DEPUTY PRIME MINISTER PATAN TO FORMER SECRETARY RICHARDSON IN NOVEMBER AND FROM PUBLISHED ROMANIAN STATEMENTS.) HE ADDED THAT THESE FIGURES WOULD BE INFLUENCED TO LARGE EXTENT BY FUTURE OF ROMANIA'S TRADE WITH WEST GERMANY.

7. CEMA SPECIALISATION. USSR WOULD LIKE TO SEE ROMANIA ASSUME A GREATER ROLE WITHIN CEMA SCHEME OF SPECIALIZATION. VOLKOV SAID THAT THIS TOPIC IS "BEING DISCUSSED" AND THAT IT IS "INEVITABLE" THAT ROMANIA EVENTUALLY WILL FALL INTO LINE.

8. COMPUTER COOPERATION. ONE EXAMPLE OF ROMANIAN RELUCTANCE TO FULLY PARTICIPATE IN COMECON IS IN THE FIELD OF COMPUTERS WHERE THE SOVIET UNION HAS BEEN PUSHING ITS RIAD SYSTEM. HOWEVER, SOVIET UNION ALSO DEALS CLOSELY WITH IBM. ALTHOUGH ROMANIA HAS ATTEMPTED IN PAST TO INTEREST USSR IN ROM CONTROL DATA PRODUCTS, NOTHING HAS COME OUT OF THESE EFFORTS BECAUSE ROMANIAN-PRODUCED EQUIPMENT IS NOT COMPATIBLE WITH SOVIET EQUIPMENT. VOLKOV COMMENTED THAT ROMANIANS NOW WISH THEY HAD FORMED THEIR JOINT COMPANY WITH IBM RATHER THAN WITH CONTROL DATA.

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9. COMMENT: ON BASIS OF CURRENT TRADE DATA THERE APPEARS TO BE SOME HARD EVIDENCE TO SUBSTANTIATE RECENT SOVIET/ROMANIAN RHETORIC WHICH INDICATES RAPPROACHMENT. PRIOR TO BREZHNEV'S VISIT SOVIET SHARE OF ROMANIAN PROJECTED TRADE FOR 1977 WAS TO BE 15.5 PERCENT. REVISED TARGET FOR BILATERAL TRADE ANNOUNCED AFTER HIS VISIT REPRESENTS 17.1 PERCENT OF GOR'S PROJECTED TRADE, A SUBSTANTIAL INCREASE. FURTHER, TRADE TURNOVER IN MACHINERY AND EQUIPMENT CATEGORY BETWEEN TWO COUNTRIES FOR 1977 IS NOW SCHEDULED TO INCREASE BY 37.8 PERCENT COMPARED WITH 1976. WITHIN THIS CATEGORY SOVIET IMPORTS WILL INCREASE TWO TIMES FASTER THAN EXPORTS, (IMPORT GAIN OF 54.5 PERCENT AGAINST EXPORT RISE OF 23.2 PERCENT.) WE DO NOT HAVE ANY INFORMATION AS TO WHAT ROM EQUIPMENT CAN ACCOUNT FOR THESE MARKEDLY INCREASED SHIPMENTS TO THE SOVIETS.

10. NOTWITHSTANDING LARGER THAN PLANNED INCREASE, IT MUST ALSO BE NOTED THAT "POST TRIP" 1977 TRADE TARGET DOES NOT STEM RECENT ANNUAL DECLINES IN SOVIET SHARE OF GOR TRADE. IN 1975 SOVIET SHARE WAS 18.6 PERCENT; IN 1976 IT DROPPED TO 17.7 PERCENT. REVISED TARGET OF 17.1 PERCENT IN 1977 STILL CONTINUES THIS DECLINE, ALTHOUGH AT SIGNIFICANTLY SLOWER RATE THAN PREVIOUSLY EXPECTED. CONSIDERATION OF THE ANTICIPATED RAPID TRADE GROWTH RATE IN MACHINERY AND EQUIPMENT CATEGORY ALONG WITH DECLINING SOVIET SHARE OF TOTAL TRADE IMPLIES THAT SUBSTANTIAL REDUCTIONS IN RATE OF INCREASE WILL BE EFFECTED IN RAW MATERIALS AND CONSUMER GOODS TRADE. CALCULATIONS SHOW THAT OVERALL RATE

OF GROWTH FOR TRADE PLANNED FOR SECTORS OTHER THAN  
MACHINERY AND EQUIPMENT FROM 1976 TO 1977 IS ONLY  
3.8 PERCENT. FACT THAT THERE IS PROBABLY LIMIT TO CURRENT  
WARMING OF ECONOMIC RELATIONS IS UNDERSCORED BY  
DEPUTY PRIME MINISTER PATAN'S COMMENT TO AMBASSADOR  
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THAT SOVIET SHARE OF ROMANIAN TRADE WILL BE HELD AT  
ABOUT 17.5 PERCENT IN FUTURE. END COMMENT.  
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